

The Office of Congressman Patrick E. Murphy

SIMPLE INCOME BASED REPAYMENT ACT

PURPOSE:

- While parental incomes determine eligibility for financial aid and type of student loan, post-graduate income is a much greater determinant of a borrower's ability to repay.
- Income-based repayment, with limited forgiveness, is generally the best method to keep monthly payments affordable without taxpayers subsidizing expensive graduate degrees for the highest earners.
- Remove burdensome self-reporting process for changing income and employment status.

PROGRAM SUMMARY:

- All students with federal loans (not private or Parent PLUS) would be automatically enrolled in the Simple Income-Based Repayment (IBR) Program.
- Monthly repayment obligation is calculated automatically to be a fixed 10% of discretionary income (income above 150% of the Federal Poverty Line – over \$17,655).
- No longer complicated system of self-reporting income and employment – automatic payments through payroll deduction.
- Loan origination and interest rates are unchanged.
- Forgiveness after 20 years of payment for all Direct Loans, but does not change specialized forgiveness programs for public service or certain high-need professions.
- Legacy borrowers may opt-into simple IBR or remain in current repayment program.
- Loans that are delinquent for greater than 60 days default into simple IBR with an opt-out to standard 10 year repayment plan.

REPAYMENT PROCESS:

- The Department of Education coordinates with IRS to set up withholding from employer reports on W-2.
- If loan withholding is insufficient, payment owed. If there's a balance, it may be refunded or applied to balance.
- If estimated income is too low to meet 150% of poverty, no funds are withheld.

OUTCOME:

- Streamlines the enrollment and continued processing of Income-Based Repayments.
- Targets the borrowers with the greatest need, not the largest debt for forgiveness programs.